

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 EA-09 FRB-01 INR-07 IO-11 NEA-10 NSAE-00

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 L-03

H-02 FEA-01 OIC-02 SS-15 NSC-05 /112 R

TX-387

DRAFTED BY TREASURY:ALEXIS RIEFFEL

APPROVED BY EB/IFD/OMA:RJRYAN

TREASURY:PELIKAN

CEA:HJUNZ

FED:CSIEGMAN

EUR/RPE:WCLARK

INR/REC:FNASH

PPC/PDA:JMUDGE

EB/IFD/OMA:BGCROWE

EB/IFD/ODF:NRIEGG

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P 152116Z JAN 76

FM SECSTATE WASHDC

TO USMISSION OECD PARIS PRIORITY

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E.O. 11652: N/A

TAGS: ECON, EFIN OECD

SUBJECT: U.S. PAPER ON FINANCING LDC DEFICITS

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REF: OECD 33085

1. HUFBAUER HANDCARRIED TO KORP BACKGROUND PAPER ON
FINANCING LDC DEFICITS PREPARED FOR TWP MEETING OF 20-21

JANUARY PER REFTTEL. MISSION REQUESTED TO MAKE CHANGES IN PAPER LISTED BELOW AND THEN TRANSMIT REVISED PAPER TO SECRETARIAT FOR CIRCULATION TO TWP MEMBERS. PAPER MAY ALSO BE CIRCULATED TO NORTH-SOUTH GROUP.

2. PARAGRAPHS 19 AND 31: CHANGE "CREDITWORTHINESS" TO "CREDITWORTHINESS".

3. PARAGRAPHS 16 AND 25, AND TABLE TWO: CHANGE "KOREA" TO "SOUTH KOREA".

4. PARAGRAPH 1, LINE 6, PARA 5, LINE 2, PARA 6, LINE 1, PARA 11, LINE 2 AND PARA 20, LINE 3: DELETE "MAJOR".

5. PARA 3: DELETE FIRST TWO SENTENCES. SUBSTITUTE: "THE LARGE DEFICITS OF 1974 AND 1975 WERE FINANCED WITHOUT DISRUPTING EXISTING INSTITUTIONAL ARRANGEMENTS. (HOWEVER, AS

IN THE CASE OF DEVELOPED COUNTRIES, LDC GROWTH RATES FELL. IN SOME CASES, IMPORT RESTRICTIONS WERE IMPOSED.)"

6. PARA 4: DELETE SECOND AND THIRD SENTENCE. SUBSTITUTE: "AGAIN, TO MOVE TOWARD EXTERNAL EQUILIBRIUM, INDIVIDUAL COUNTRIES WILL BE FORCED TO MAKE ECONOMIC POLICY CHANGES THAT WILL TEND TO REDUCE GROWTH RATES. THE MAJORITY OF LDCS SHOULD, HOWEVER, BE ABLE TO FINANCE BALANCE OF PAYMENTS DEFICITS IN A FASHION SIMILAR TO THAT IN THE RECENT PAST.

7. PARA 5, LINE 5: INSERT "GENERALLY" BEFORE "ABLE".

8. PARA 5: DELETE FIFTH SENTENCE. SUBSTITUTE: "THE FOURTH GROUP, WHICH RELIES HEAVILY ON PRIVATE CAPITAL MARKETS, CONSISTS OF THREE COUNTRIES THAT TOGETHER ACCOUNT FOR ONE-THIRD OF THE AGGREGATE DEFICIT OF THE 23 COUNTRIES."

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9. PARA 6, END OF SECOND SENTENCE: DELETE CLAUSE BEGINNING WITH "WITHIN".

10. PARA 13: DELETE EIGHTH SENTENCE ("THE IMPACT OF INFLATION...")

11. PARA 15: CHANGE "MINIMIZE" TO "REDUCE".

12. PARA 15: DELETE LAST LINE. SUBSTITUTE: "THE CREDITWORTHINESS OF INDIVIDUAL COUNTRIES."

13. PARA 18, FIRST SENTENCE: DELETE CLAUSE BEGINNING

WITH "WE ARE". SUBSTITUTE: "WE ARE, HOWEVER, OPTIMISTIC THAT THE INTERNATIONAL FINANCIAL SYSTEM AND ASSISTANCE MECHANISMS ARE ADEQUATE TO COPE WITH THE AGGREGATE LDC DEFICIT."

14. PARA 19: DELETE THIRD SENTENCE. SUBSTITUTE: "IN THE AGGREGATE, RESERVES -- NOW LARGE ENOUGH TO COVER MORE

THAN 2-1/2 MONTHS OF AGGREGATE LDC IMPORTS -- COULD POSSIBLY BE DRAWN ON FOR ANOTHER 2 BILLION DOLLARS, ALTHOUGH MANY LDCS ALREADY CONSIDER THEIR RESERVE LEVELS TO BE

INADEQUATE."

15. PARA 19, LINE 8: CHANGE "DRAW DOWN" TO "DRAWDOWN".

16. PARA 19, LINE 14: CHANGE "THEY" TO "THE".

,7. PARAGRAPH 22, LINE 2: CHANGE "DEFICIT" TO "DEFICITS".

,8. PARAGRAPH 24, LINE 5: CHANGE "IS" TO "ARE".

,9. PARAGRAPH 25, LINE 9: ADD "ARE" AFTER "THEY".

20. PARAGRAPH 25, LINE 11: DELETE FIRST "OF".

21. PARAGRAPH 25, SIXTH SENTENCE: CHANGE THIS SENTENCE TO READ: "THESE COUNTRIES SHOULD BE ABLE TO FINANCE THEIR PROJECTED DEFICITS; IF NOT ABLE TO, THEY ARE CAPABLE OF
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ADJUSTING THEIR POLICIES TO CLOSE THE GAP -- MAINLY BY LOWERING GROWTH RATES."

22. PARAGRAPH 27, LINE 5: CHANGE "CHRONIC" TO "TRADITIONAL".

23. PARAGRAPH 28, LINE 3: CHANGE "MEMTIONED" TO "MENTIONED".

24. PARAGRAPH 30, LAST SENTENCE: DELETE PHRASE BEGINNING WITH "UNLESS OFFICIAL". SUBSTITUTE: "UNLESS SPECIAL ATTENTION IS GIVEN TO SECURING LARGE INCREASES IN EXPORT EARNINGS OR SAVINGS".

25. TABLE TWO: CHANGE DEFICIT OF 65 OTHER NON-OIL LDCS IN 1976 FROM "6.2" TO ,6.7".

26. ANNEX II, PARAGRAPH 3, LINE 4: CHANGE "USA" TO "US".

27. ANNEX II, PAGE 2: ADD TITLE AT TOP OF TABLE: "OECD

AND US PROJECTIONS OF MSA DEFICITS".

28. ANNEX III, PARAGRAPH 4, LAST LINE: CHANGE "TREASURY"
TO "THE U.S.".

29. ANNEX III, PARAGRAPH 10, LINE 6: DELETE "TREASURY".

30. ANNEX II, PARA 2: ADD "III" AFTER ANNEX.

31. PARA 27, LINE 5, AND TABLE TWO: CHANGE "RECEPIENTS"
TO "RECIPIENTS".

32. ANNEX I, TABLE IN PARA I: CHANGE "US/OASIA" TO "US".

33. PARA 20, SECOND AND THIRD SENTENCES: CHANGE THESE
SENTENCES TO READ: "A SAMPLE OF 23 LDCS HAS BEEN CHOSEN
WHICH TOGETHER ACCOUNT FOR ABOUT 75 PERCENT OF THE
TRADE OF ALL 88 NON-OIL LDCS THAT ARE MEMBERS OF THE IMF--
AND THESE COUNTRIES HOLD MORE THAN 85 PERCENT OF THE
LONG-TERM EXTERNAL PUBLIC DEBT OF ALL NON-OIL LDCS.

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34. PARA 21, THIRD SENTENCE: CHANGE THIS SENTENCE TO
READ: "HOWEVER, COUNTRIES IN THE LAST GROUP MAY GET INTO
BALANCE OF PAYMENTS TROUBLE AND EXPERIENCE FURTHER REAL
INCOME DETERIORATION IF THEY FAIL TO TAKE THE PROPER
POLICY MEASURES, OR IF THEY EXPERIENCE BAD LUCK.

35. PARA 16, LINE 9: ADD COMMA AFTER THE WORLD
"MOREOVER".

36. COVER PAGE: CHANGE DATE TO JANUARY 14. KISSINGER

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Message Attributes

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Drafter: ALEXIS RIEFFEL
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